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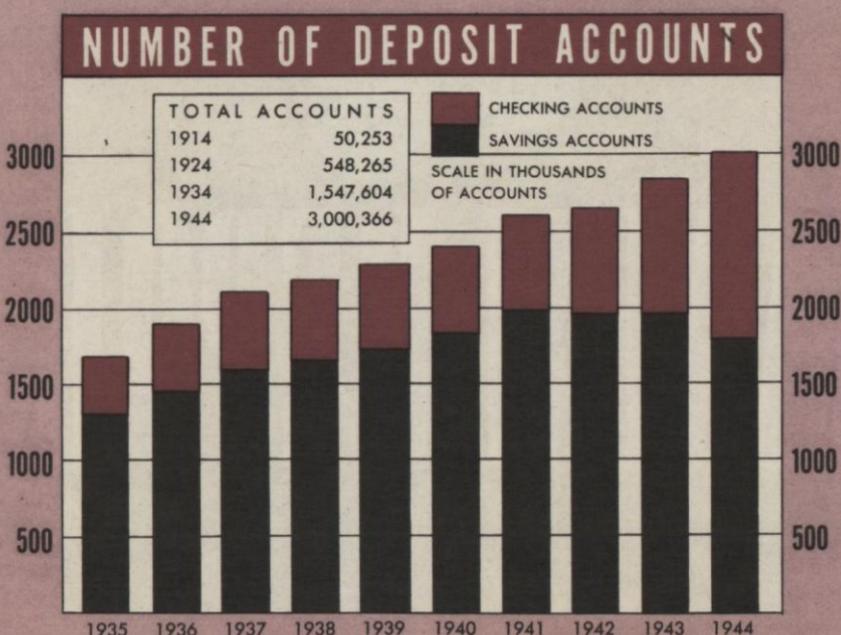
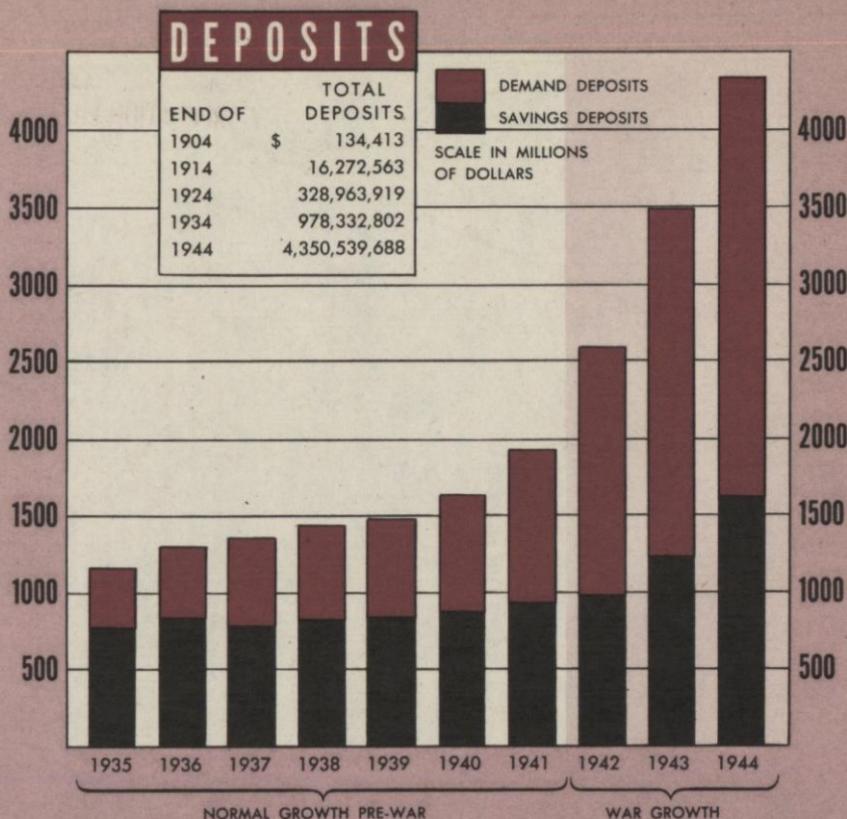
FOUNDED OCTOBER 17, 1904



# ANNUAL REPORT

Bank of America  
NATIONAL TRUST AND SAVINGS ASSOCIATION  
CALIFORNIA

1944



# BANK OF AMERICA

NATIONAL TRUST AND SAVINGS ASSOCIATION

## *A*NNUAL REPORT

OF PRESIDENT L. M. GIANNINI TO THE STOCKHOLDERS

SAN FRANCISCO • CALIFORNIA  
JANUARY 9, 1945



In 1944 our bank completed its 40th year in the service of the people of California and of the nation.

One hundred fifty-nine charter stockholders provided the capital with which the bank began business October 17, 1904. Today our family of stockholders has more than 145,000 members, undoubtedly the most widespread ownership of any bank in the country.

Our growth during the past year, as in 1943 and 1942, may be traced substantially to war activity, but this circumstance in no way dims the fact that, over the full span of our first 40 years, the main force in our growth and development has been the patronage of the small customer.

As 1944 was nearing its close, our bank had more than 3,000,000 deposit accounts and approximately 430,000 loans on its books. Most of these were the accounts of small business men, home owners, wage earners and salaried people, housewives, boys and girls in uniform—the rank and file. Their deposits and their borrowings made possible the records which it is now my privilege to report to you.

- Total resources were \$4,609,124,133 at December 30, 1944, the second largest total of any bank in the country. The year's increase amounted to \$911,211,458.
- Deposits rose to \$4,350,539,688, increasing \$852,386,478 during the year.
- Loans outstanding totaled \$894,436,931, a one-year increase of \$83,776,288.
- Investments aggregating \$2,740,064,364 included \$2,422,250,-219 in securities of the United States Government and Federal



agencies. These totals showed increases of \$644,631,642 in all investments and \$577,696,633 in the government portfolio.

- Cash and investments in government and municipal securities due or callable in less than one year totaled \$2,507,355,054 at December 30, 1944, in comparison with \$1,533,742,720 at the end of 1943.
- Earnings exceeded those of any previous year.
- Total capital funds were increased by the net amount of \$52,-937,438, and at the end of the year were \$219,322,432.

## EARNINGS



GROSS income of \$98,040,545, less operating expenses of \$55,-510,963, produced \$42,529,582 of earnings in 1944, which result compared with \$30,167,283 in 1943.

Charges against these earnings were made in the total amount of \$20,301,704 for depreciation, amortization, employes' profit sharing, valuation reserves, and a "Reserve for Bad Debts." The bank has changed to the reserve method of providing for losses on loans and certain other assets as permitted by the Internal Revenue Act. A new "Reserve for Bad Debts" amounting to \$9,068,878 at the year end was set up for this purpose from 1944 earnings. This reserve, which has not been allocated to any particular loans or type of loan, is to cover losses that may develop. The amount charged to earnings to establish the reserve was \$10,008,739. Reserves set up for the revaluation of specific loans and losses on loans in 1944 have been charged against this reserve, reducing it to \$9,068,878, which amount appears as a new item in the statement of condition.

After these charges, the remaining earnings available for dividends, retirement of Preferred Stock, and addition to Capital Funds, amounted to \$22,227,878, in comparison with \$19,177,352 in 1943.

Earnings after preferred dividends were equal to \$5.35 a share on the 4,000,000 shares of Common Stock outstanding before the addition of new shares on December 29th, against \$4.59 a share the year before.

Dividends paid in 1944 amounted to \$10,408,570, consisting of \$808,570, or \$2 a share, on the Preferred Stock, and \$9,600,000, or \$2.40 a share on 4,000,000 shares of Common Stock. Earnings credited to Capital Funds after dividend payments and charges amounted to \$11,819,308.

## SUMMARY OF OPERATIONS—1944

### INCOME FROM:

Loans . . . . .	\$37,871,275
Security investments, including profits of \$4,293,829 from sales of securities . . . . .	43,851,222
Miscellaneous sources, including trust fees, service charges, and recoveries of \$2,026,048 . . . . .	16,318,048
<b>GROSS INCOME . . . . .</b>	<b>\$98,040,545</b>

### EXPENSES:

Salaries and payments for personal services . . . . .	\$23,793,953
Interest on deposits . . . . .	10,469,809
Taxes: Local, State and Federal, in- cluding Social Security, and Federal Deposit Insurance assessments . . . . .	11,322,017
Other operating costs . . . . .	9,925,184
<b>TOTAL OPERATING EXPENSES . . . . .</b>	<b>55,510,963</b>
<b>EARNINGS . . . . .</b>	<b>\$42,529,582</b>

### CHARGES AGAINST EARNINGS:

Depreciation of banking premises, fur- niture, fixtures and equipment . . . . .	\$ 1,054,254
Amortization of bond premiums . . . . .	7,111,141
Reserves set up and applied to revalua- tion of assets and to losses other than loan losses . . . . .	731,579
"Reserve for Bad Debts" . . . . .	10,008,739
Employes' profit-sharing participation . . . . .	1,395,991
	<b>20,301,704</b>
	<b>\$22,227,878</b>

### Dividends paid:

Preferred Stock—rate \$2.00 a share . . . . .	\$ 808,570
Common Stock—rate \$2.40 a share . . . . .	9,600,000
Added to Capital Funds from earnings . . . . .	11,819,308*
	<b>\$22,227,878</b>

\*For changes in Capital Funds see Page 4.



## CHANGES IN CAPITAL FUNDS

AT a special meeting held December 28, 1944, the stockholders approved an increase in the capital stock of the bank through issuance and sale of 800,000 shares of Common Stock of the same par value as existing Common Stock. From the sale the bank realized \$41,161,530 net in new capital funds, of which amount \$10,000,000 was added to Capital and \$31,161,530 to Surplus.

Owners of Common Stock of record on December 16, 1944, were given the right to subscribe for one new share for each five shares owned. A nationwide group of 140 investment bankers underwrote that portion of the new shares which was not subscribed for by stockholders, and more than 800 security dealers from coast to coast participated in the public offering, which was at \$53 a share.



The plan recommended by the Board of Directors and voted by the stockholders was designed to secure the maximum amount of new capital by issuance of the minimum number of new shares. This, it was felt, was in the best interests of all concerned.

The new issue is important to all as it improves the bank's ability to serve the greater needs of California. Growth of the bank during the past few years has been tremendous, and so has the growth of the state. Our bank is essential to the growth of commerce, industry and agriculture of the state and the purpose in increasing the capital was to keep pace with our state's unprecedented development.

The offering was timed to avoid interference with the Sixth War Loan drive, which ended December 16th, and to allow the bank the benefit of the new capital for the full year 1945.

In the first half of 1944, the Reserve for War Contingencies, Etc., a capital account in the amount of \$13,919,041, created several years ago and subsequently added to from earnings, was returned to the undivided profits account since the funds were not earmarked for any risks then foreseeable.

During the year, \$43,400 of the Retirement Fund was utilized to retire 868 shares of Preferred Stock.



## DEPOSITS

DEMAND deposits increased \$481,314,763, establishing a new record figure of \$2,742,589,014 at the end of 1944. This gain was substantially the product of war conditions: deficit financing by the government; high level of industrial and business activity, and, in the case of many companies, lower than normal inventories with correspondingly higher bank balances.

In many respects the most noteworthy feature of the year's growth was the gain in savings and time deposits. This class of deposits amounted to \$1,607,950,674 at December 30, 1944, showing an increase of \$371,071,715 for the year and a gain of \$675,750,126 in the three years since Pearl Harbor.

Most of these deposits are backlog savings of individuals, representing additional security, future buying power, and a larger measure of financial independence for California people.



## INVESTMENTS

In 1944 the bank continued to maintain virtually a fully invested position, and considerably increased emphasis was placed on the degree of liquidity and marketability of the investment portfolio.

Our investments at December 30th in securities of the United States Government and Federal agencies included \$1,537,903,500 par value of issues due or callable in less than one year.

Government issues due or callable in less than one year constituted 64.4 per cent of our government portfolio at the end of 1944, in comparison with 43.4 per cent at the close of 1943, 35.6 per cent at the end of 1942, and 12.5 per cent at December 31, 1941. Issues due or callable within five years made up 80.1 per cent of the government portfolio at the end of last year, which compares with 58.6 per cent one year earlier, 50.6 per cent at December 31, 1942, and 29.1 per cent at December 31, 1941.

During 1944 the net book value of our investment in fully or partially tax exempt securities was increased \$296,437,319, and at the end of the year amounted to \$1,072,857,634. This total included \$253,777,778 fully tax exempt state, county and municipal bonds, which were increased \$65,800,394 during the year, and \$819,079,856 wholly or partially tax exempt securities of the United States Government and Federal agencies, in which the year's increase was \$230,636,925.



## LOANS

INCREASED use of our credit facilities in 1944 was reflected in outstanding loans at the year end, which amounted to \$894,436,931 in comparison with \$810,660,642 at December 31, 1943.

Most of the changes in specific classes of loans were attributable to some phase of the war, but the fact that total loans increased was due, at least in part, to our endeavor to meet every legitimate credit require-

**Bank of**  
NATIONAL TRUST & SAVINGS

**STATEMENT OF CONDITION**

**RESOURCES**

Cash in our vaults and on deposit with Federal Reserve Bank . . . . .	\$ 568,173,476.83
Cash on deposit with banks in New York, Chicago, and other cities, and cash items in process of collection . . . . .	351,278,076.67
<b>TOTAL CASH . . . . .</b>	<b>\$ 919,451,553.50</b>
Securities of the United States Government and Federal agencies . . . . .	\$ 2,422,250,219.16
State, county, and municipal bonds . . . . .	253,777,778.18
Other bonds and securities . . . . .	59,926,366.64
Stock in Federal Reserve Bank . . . . .	4,110,000.00
<b>TOTAL SECURITIES . . . . .</b>	<b>2,740,064,363.98</b>
We have loaned to our customers for use in their businesses, for war production contracts, for the storing of commodities, for intermediate capital uses, for building, buying, or modernizing their homes, financing automobile or household equipment purchases, and for other legitimate needs . . . . .	\$ 894,436,930.52
We have interest due us on bonds and loans (earned to the date of this statement), and accounts receivable . . . . .	11,472,717.33
We hold guarantees and securities of customers and banks, for letters of credit, acceptances, and endorsed bills . . . . .	17,816,420.29
<b>TOTAL DUE US FROM CUSTOMERS . . . . .</b>	<b>923,726,068.14</b>
Bank buildings, furniture, fixtures, and safe deposit vaults. This figure represents the cost less depreciation reserve of \$19,488,820.39 . . . . .	24,994,255.65
Other real estate owned. This is real estate acquired in the settlement of debt, carried at less than cost or appraised value . . . . .	559,537.69
Other resources, including supplies inventory, automotive equipment, deferred charges, etc. . . . . .	328,353.72
<b>TOTAL RESOURCES . . . . .</b>	<b>\$4,609,124,132.68</b>

This statement includes the figures of

Member Federal Reserve System . . . Member

# America

ND  
GS ASSOCIATION

ION DECEMBER 30, 1944

## LIABILITIES

<b>Capital.</b> Representing the investment of approximately 145,000 stockholders.	
Common (4,800,000 shares) . . . . .	\$ 60,000,000.00
Preferred (404,278 shares). Issued at \$50 (\$20 Capital —\$30 Surplus), Annual Dividend \$2. Preferred to extent of and retireable at issue price and accrued dividends . . . . .	8,085,560.00
<b>Surplus.</b> Paid in by stockholders or accumulated from earnings . . . . .	107,000,000.00
<b>Undivided Profits.</b> Profits accumulated and not distributed	33,779,200.87
<b>Reserve for Increase of Common Capital.</b> Amount set aside for the increase of Common Capital as a result of the retirement of Preferred Stock . . . . .	3,914,440.00
<b>Other Reserves.</b> Set aside out of accumulated profits by the Board of Directors, available as a reserve, in addition to Surplus and Undivided Profits, against normal contingencies . . . . .	6,381,177.62
<b>Retirement Fund.</b> Funds set aside from profits to retire Preferred Stock by purchase or by call in accordance with the Articles of Association of the Bank . . . . .	162,053.65
<b>TOTAL CAPITAL FUNDS</b> . . . . .	\$ 219,322,432.14
<b>Reserve for Bad Debts.</b> Charge against earnings to cover losses that may develop in loans. This reserve has not been allocated to any particular loans or type of loans . . . . .	9,068,878.35
<b>Demand deposits.</b> Funds placed with the bank by individuals, corporations, firms, banks, public officials, and the United States Government (payable on demand) . . . . .	\$2,742,589,013.83
<b>Savings and time deposits.</b> Funds placed with the bank in savings accounts or for extended periods of time by individuals, corporations, firms, United States Government, State of California and political subdivisions thereof . . . . .	1,607,950,674.25
<b>TOTAL DEPOSITS</b> . . . . .	4,350,539,688.08
<b>We have endorsed Bankers' Acceptances and issued Letters of Credit</b> on behalf of customers, and have agreed to honor Customers' Drafts (not yet due), all of which are secured by the guarantees and collateral of customers and banks included in resources . . . . .	18,536,262.82
<b>We have set aside as a reserve for interest payable on time deposits</b> and for taxes and other expenses . . . . .	8,229,952.73
<b>We have reserved for interest received in advance</b> on loans . . . . . This amount will be taken into income as earned.	3,426,918.56
<b>TOTAL LIABILITIES</b> . . . . .	\$4,609,124,132.68

the London, England, banking office

ber Federal Deposit Insurance Corporation



ment and our aim to maintain Bank of America as credit headquarters for the small borrower as well as the large.

In real estate loans, our largest classification, outstandings at the year end were about \$432,000,000, in comparison with \$417,600,000 a year previous. This increase, which began as early as February, represented a reversal of the trend which had prevailed throughout 1943.

Our increase in real estate loans was due to a still larger gain in loans insured by the Federal Housing Administration. In this classification the total outstanding balance was about \$334,000,000, covering approximately 88,000 homes, the average insured loan being about \$3,800.

Loans made under Regulations V, VT and T of the Federal Reserve Board, to finance war work or facilitate reconversion, were outstanding in the approximate amount of \$66,700,000 at the year's close; outstanding commitments amounted to about \$221,000,000. Volume of this class of loan declined during the year. At the high point in 1944 outstandings under Regulations V and VT consisted of \$114,000,000 in loans, and commitments during the year reached a maximum of \$223,000,000. To date we have advanced about \$146,700,000 under these regulations of the Federal Reserve Board. Principal and interest on this type of loan are guaranteed in whole or in part by a Federal agency.

Total amount of Timeplan credit provided during the year exceeded that of 1943 by about \$30,000,000. Most of this increase was in direct consumer loans in which the year's volume exceeded that of 1943 by about \$24,000,000. However, because of shorter maturities, the amount of Timeplan loans outstanding remained fairly constant.

Commodity loans increased approximately 71 per cent in the past year. This compares with an increase of about 15 per cent reported in 1943. In various other fields of bank credit, including livestock and crop production loans and accounts receivable financing, satisfactory progress was made during the year.



## EVERYMAN'S BANK

BEFORE leaving the subjects of deposits and loans, I should like to report briefly on the extent to which California people are using the facilities of our statewide bank.

In November 1944, we were serving a total of 3,000,366 deposit accounts. This was an increase of 277,304 over one year previous. On the basis of 8,800,000 estimated population, we are carrying about 34 deposit accounts for each 100 residents of the state.

These 3,000,366 deposit accounts included 1,795,514 regular sav-

ings accounts. This was an increase of 171,700 regular savings accounts for the twelve months and of 415,745 since Pearl Harbor.

A special survey of the situation at the end of November showed that we had approximately 430,000 individual loans outstanding. While this is a large total by ordinary standards of comparison, it is actually the lowest number of loans we have carried since 1936. Wartime restrictions on civilian goods and consequent reduction of Time-plan financing was responsible for the smaller number. In prewar 1941 we had 946,000 loans on the books.

Forty years ago our founder, A. P. Giannini, undertook to create a bank of widespread ownership which would provide the people, all the people and especially the little fellow, with a fully rounded banking service readily available in every section of the state. The extent to which this ideal has been achieved is suggested by the present number of our deposit and loan accounts. And in many cases we have had the satisfaction of seeing the small customer rise to the status of the large one.



While I have emphasized our relationship with the small customer, recognition should be made of our place in the affairs of large concerns doing a local, statewide or national business. Our small customers are the patrons of the large ones; our service to each group enables us better to serve the other. In our unique position, operating nearly 500 branches in more than 300 communities, we have the privilege of providing banking facilities for thousands of national and statewide concerns which serve the state of California.



## TRUST AND OTHER ACTIVITIES

TRUST DEPARTMENT earnings were approximately 57 per cent higher than in 1943, and established a new record for this growing department. All trust activities showed a gain for the year; growth of court trust business was particularly gratifying. Court trust business is the fruition of constant effort to gain public appreciation of a highly specialized service. Wills in which the bank is named are now maturing in greater number, and during 1944 the bank was named as executor or trustee, or both, in a considerable number of new wills.

Progress of the war permitted some steps toward resumption of the prewar position of the International Banking Department. Foreign business was increased by resumption of remittances to liberated areas of Europe, and correspondent relations with banks in those areas were resumed to a limited extent. In cooperation with the Mexican Government and banks, we have originated a special service for remittance of

funds to Mexico for its thousands of laborers who are working on our railroads and helping harvest our crops during the war emergency. Sales of travelers cheques continued their long unbroken record of gains, rising about 53 per cent above the 1943 volume.

At the end of 1944 we were operating 44 banking facilities, all but one at military centers of California, including two offices operating as branches. This was an increase of 11 facilities for the year. Five others were in the process of being opened. These facilities are authorized by the United States Treasury Department. Primarily they serve the Army, the Navy, the Marine Corps and civilian war workers by handling deposits, payrolls, allotment accounts, issuance of money orders and travelers cheques, and sales of war bonds and stamps.

Our branch system was extended last year by establishment of branches at Clovis, Arvin and Mojave. Two of these communities, Arvin and Mojave, never before had local banking facilities.

## WAR BOND SALES



SINCE the war, and before that during the defense period, we have devoted concentrated effort to obtain widespread investment by the California public in our government's savings bonds of the three series, E, F and G. We have sought to interest people in these bonds on the basis of their own welfare and the merit of the security, as well as by appeal to their patriotism.



Our sales of war savings bonds to individual investors amounted to \$279,227,853 in 1944. This raised our cumulative sales of savings bonds to \$721,754,718 since inception of the Treasury Department's offering in May 1941.

During and between bond drives in 1944, we handled subscriptions from the public for \$720,611,080 of government bonds and notes of various issues other than savings bonds. All told, the public has bought \$1,906,086,819 of savings bonds and other types of government securities through our bank since 1941 when the present series of war savings bonds became available.

## TO THE STAFF



EVERY staff member has the right to feel proud of his part in furthering the war effort and in shaping the year's record of the bank. It represents a job well done by all:

—seasoned campaigners, who have shouldered extra responsibilities and assisted novices to get the hang of things;

—new members of the staff, who have "caught on" so quickly; —and the girls who have so efficiently filled the posts of those called to the armed services.

To each and every one, our heartfelt thanks.

Our service flag now represents over 3,370 Bankamericans on military leave. Unfortunately the same flag carries 56 gold stars. We feel deeply the tragedy of the loss of these splendid young men and share genuinely in the grief of their families. We cherish the memory of their noble sacrifice.

A small number of men have returned to the bank from military leave. Anticipating the day when a larger number will be coming back, we have been in direct communication with staff members in uniform, learning of their desires, answering their questions, making plans for their future.

These future plans provide for newer members of the active staff who intend to make a career of banking, as well as those on military leave. As we envisage the future, there will be room for all, need for all, through expansion of present activities, revival of dormant activities, and inauguration of new services. We want the newer members of the organization to consider that they are a permanent part of the staff. They have richly earned a permanent place for themselves in the bank through their effective service in time of need.

The Trustees of the Employes' Profit-Sharing Bonus Plan have purchased a total of 171,191 shares of Common Stock of the bank with funds contributed to the plan by the Board of Directors since 1938, including the bonus paid in December 1944. At the market bid price at the end of 1944, these shares had a value of \$8,987,528. The second annual distribution of that portion of the stock which had been held in trust for five years by the Trustees of the bonus fund was made December 1, 1944. It consisted of 21,695 shares, making a total of 34,694 shares distributed to individual participants in the last two years. It is our hope and expectation that the recipients will hold the stock as a permanent part of their estate.



## ADVISORY BOARDS

DURING 1944, 195 branches in our statewide bank were served well and faithfully by their local Advisory Boards. We are in debt to the members of these boards for their advice and counsel in matters of importance to the bank and to their respective branches and communities. With their aid we have been able to do a far better job than would otherwise have been possible.



## IDEALS THAT WILL ENDURE

FOUR short decades ago, Monday morning, October 17, 1904, our bank began business, fortified with \$150,000 capital paid in by a few venturesome stockholders who were ready to back ideals which constituted a new concept in banking.

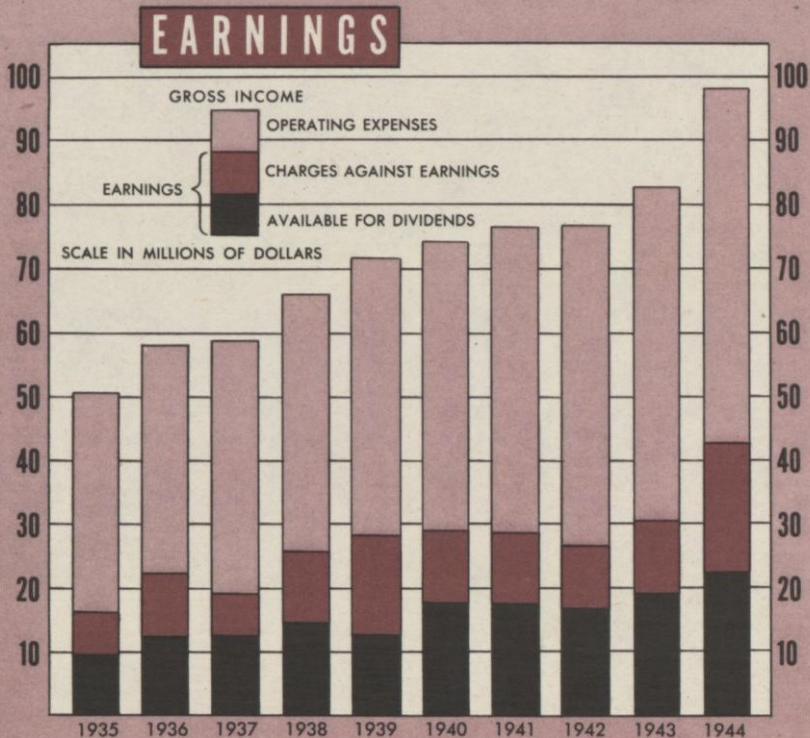
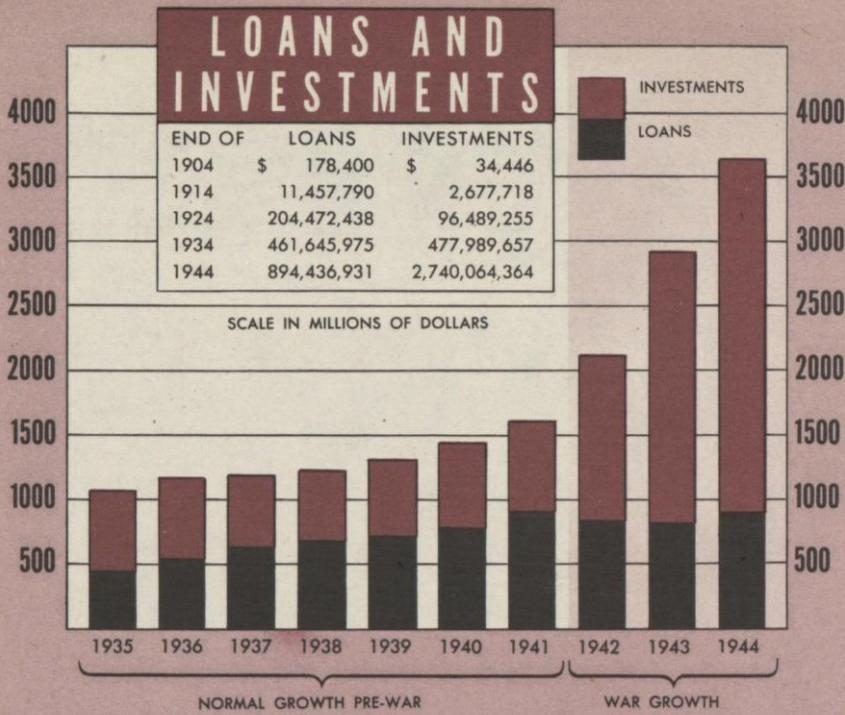
The record which I have been reviewing is more than a report on the year 1944, it is a report of our first forty years, a measure of achievement through adherence to the ideals of our founder, ideals which are the same today as in the beginning.

It is an inspiring thing, it seems to me, that the homely purpose of providing a fully rounded banking service and bringing it within the reach of all people has built a bank with over 4½ billion dollars of resources, all within the lifetime of its founder.

The principles on which this bank was built are deeply embedded in its foundation. I am sure that A. P. Giannini voiced the desire of all of us, and expressed the unified determination of the management, when, on the occasion of the bank's fortieth anniversary, he said,

"It is my earnest wish that the Bank of America be preserved for these purposes: To serve all classes of people, to promote all worthy enterprise, to be watchful always of the interests of the bank's shareholders, to provide permanence and opportunity for the boys and girls who are devoting their lives to building it, and to maintain its greatest possible usefulness to the nation."





SEC. 562 P. L. & R.

